

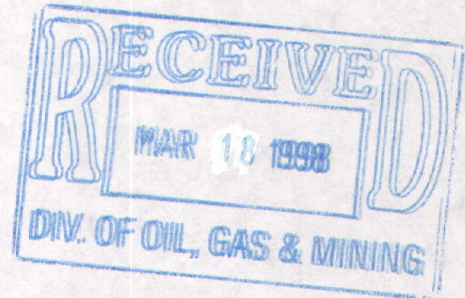


United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Utah State Office
P.O. Box 45155
Salt Lake City, UT 84145-0155

IN REPLY REFER TO
3592.1(e)
(UT-920)
UTU-072699



MAR 17 1998

CERTIFIED MAIL-Return Receipt Requested

LEXCO, Inc.
c/o Mr. James M. Lekas
P.O. Box 1198
Vernal, Utah 84078

Re: **Minor Modification** of the Mining Plan for the
LEXCO Cottonwood Mine for Gilsonite Lease UTU-072699

Dear Mr. Lekas:

This letter is in response to your request dated Dec. 26, 1997, to conduct exploration on lease UTU-072699. This request includes an exploration plan for the following operations to establish the vein location prior to conducting shaft-sinking operations for the second shaft:

1. Drilling of six angle holes (Holes #21-#26), 2 7/8 inches in diameter.
2. Drilling of one vertical hole, 2 7/8 inches in diameter.
3. Excavation of 8 trenches. These trenches will be between the existing trenches that were used for exploration and will be extended approximately 400 feet on either side of the proposed shaft site #2. A small rubber-tired backhoe will be used and the trenches will be 3 feet wide, 2-3 feet deep, and approximately 5 feet long.

National Environmental Policy Act (NEPA):

An analysis under NEPA was conducted and a Categorical Exclusion was prepared on March 26, 1998, by the Vernal District Office (Book Cliffs Resource Area Manager), to allow these operations as specified in this approval.

BOND:

There will be no bond adjustment at this time for this action. The Bureau of Land Management (BLM) has an individual lease bond in the amount of \$24,000 which includes reclamation, rentals and royalties for this property.

BLM APPROVAL: BLM approves the drilling plan submitted by LEXCO, Inc. as per 43 CFR 3592.1 (e), (enclosure 1) to determine the location for shaft site #2.

BLM would like to note that this approval (exploration drilling and trenching on the map in enclosure 1) is limited to the sites specified in the approval. Should you anticipate the need to conduct further surface-disturbing activities, submit details of your plans to the Utah State Office as per 43 CFR 3592.1(e) in sufficient time (30 working days) to allow the conduct of the appropriate NEPA compliance and the evaluation of the lease bond.

With the information obtained from this exploration, LEXCO shall update the mining plan that is on file with the Utah State Office, BLM.

CONDITIONS OF APPROVAL:

1. As per 43 CFR 3593.1 (b), if any drilling encounters ground water, the lessee shall contact the Utah State Office, Division of Natural Resources, Mining Engineer at (801-539-4036) within 24 hours, reporting the location of the drilling, drilling direction, hole angle, depth encountered, and the fact that the plugging method below will be utilized. The method of plugging holes which encounter water, as well as those which are dry, as contained in State of Utah, Department of Natural Resources, Division of Oil, Gas, and Mining, Rule R647-3-108 (enclosure 2) is satisfactory to the BLM. Flowing water will be sampled and analyzed as shown in enclosure 3 (provided by the Utah State Department of Environmental Quality, Division of Water Quality to BLM on May 2, 1995) by the lessee and the results filed with the Vernal District hydrologist and the BLM, Utah State Office, Division of Natural Resources. This filing must be accomplished within 30 days of encountering the water.
2. A minimum of one working day before exploration commences, the lessee shall contact Mr. Pete Sokoloski (801-781-4400) at the Vernal BLM Office.
3. The lessee shall notify in writing the Deputy State Director, Natural Resources, Utah State Office, BLM [the Authorized Officer (AO)] 90 days prior to initiation of the work for the scheduling/status of reclamation of the surface disturbing activities.

All trench sites shall be restored to natural vegetation type, density, contour, and plant diversity as found in the surrounding area. All drill sites shall be contoured and planted if required by the AO. The following seed mix has been successful in achieving the natural vegetative cover:

<u>Common Name</u>	<u>Pounds/Acre*</u>
Fourwing Saltbrush	6
Yellow Sweet Clover	1
Crested Wheatgrass	5
Total	12

*The above amount of pure live seed is required if the land is drilled. If the land is broadcast then the amount shall be doubled. If a different seed mix is proposed to be used, the lessee shall discuss the proposal with the AO before reseeding.

BLM will have to approve the success of the reclamation and on-site inspections will be scheduled on an as needed basis. Normally, two growing seasons are required to ensure adequate seed propagation before BLM can release the lessee of any future requirements.

4. Drill logs and surveyed location of the drill holes shall be submitted in accordance with 43 CFR 3593.1 (a) to the BLM, Utah State Office. Data on trenching shall also be submitted with the drill logs.

5. Cross-country travel shall be confined to a single two track route of travel, and the route shall be directed as practical as possible, to avoid impacting existing vegetation and keeping the number of vehicles to a minimum.

ADVISORY NOTICE:

1. The lessee is directed to review the lease stipulations for additional requirements that are made part of Federal gilsonite lease UTU-072699.

2. You may need approval from the Division of Oil, Gas, and Mining for this work.

If you have any questions, please contact Mr. Stan Perkes, at (801) 539-4036.

Sincerely,

/s/ Alan Rabinoff

ACTING

Douglas M. Koza
Deputy State Director, Natural Resources

3 Enclosures

1. Drilling and Trenching Plan
2. DOGM Rule R647-3-108
3. Water Measurement Chart